

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate) DOCKET NO. 920148-WS
increase in Pasco County by) ORDER NO. PSC-93-0931-PHO-WS
Jasmine Lakes Utilities) ISSUED: June 21, 1993
Corporation.)
_____)

Pursuant to Notice, a Prehearing Conference was held on June 4, 1993, in Tallahassee, Florida, before Commissioner Luis J. Lauredo, as Prehearing Officer.

APPEARANCES:

F. Marshall Deterding, Rose, Sundstrom & Bentley, 2548
Blairstone Pines Drive, Tallahassee, Florida, 32301
On behalf of Jasmine Lakes Utilities Corporation.

H.F. Mann, Esquire, Office of Public Counsel, Claude
Pepper Building, Room 812, 111 West Madison Street,
Tallahassee, Florida, 32399-1400
On behalf of the Office of the Citizens of the State of
Florida.

Matthew J. Feil, Esquire, Florida Public Service
Commission, 101 E. Gaines Street, Tallahassee, Florida
32399-0863
On behalf of the Commission Staff.

Cynthia Miller, Esquire, Florida Public Service
Commission, 101 E. Gaines Street, Tallahassee, Florida
32399-0863
On behalf of the Commissioners.

PREHEARING ORDER

I. CASE BACKGROUND

Jasmine Lakes Utilities Corporation (Jasmine or utility) is a class B utility providing water and wastewater services to over 1,500 residential customers and approximately 34 commercial customers in New Port Richey, Florida. On June 26, 1992, the utility filed a request for interim and permanent rate increases pursuant to Sections 367.081 and 367.082, Florida Statutes. However, the utility's filing did not meet the Commission's minimum filing requirements (MFRs). On July 17, 1992, the utility corrected the deficiencies to its filing, so that date is the official date of filing for this case. The utility asked that its

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rate request be processed by proposed agency action (PAA). The approved test year for setting rates in this proceeding is the twelve months ended December 31, 1991.

According to the MFRs, for the test year, Jasmine had operating revenues of \$341,585 and a net operating loss of \$15,548 for the water system and operating revenues of \$125,979 and a net operating loss of \$90,370 for the wastewater system. Jasmine requested final revenue requirements of \$520,486 for the water system and \$436,061 for the wastewater system.

By Order No. PSC-92-1120-FOF-WS, issued October 6, 1992, the Commission suspended Jasmine's requested rates and approved interim rates subject to refund. The interim revenue requirements were \$389,640 for the water system, a 11.11% increase over test year revenues, and \$290,839 for the wastewater system, a 130.86% increase. Thereafter, by PAA Order No. PSC-93-0027-FOR-WS, issued January 5, 1993, the Commission proposed granting Jasmine an increase in its water and wastewater rates. However, that Order was protested by the Office of Public Counsel (OPC) and Mr. Merle Baker, a customer of the utility. As a result of these protests an administrative hearing is scheduled in this matter for June 28-29, 1993, in New Port Richey. By Order No. PSC-93-0519-FOF-WS, issued April 6, 1993, the Commission acknowledged Jasmine's implementation of the rates approved in the PAA Order and required additional security for the potential refund of the PAA rates.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 367.156, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 367.156, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 367.156, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.

- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

III. POST-HEARING PROCEDURE

Rule 25-22.056(3), Florida Administrative Code, requires each party to file a post-hearing statement of issues and positions. The parties must include in that statement, a summary of each position of no more than 50 words, set off with asterisks. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. The rule also provides that if a party fails to file a post-hearing statement in conformance with the rule, that party shall have waived all issues and may be dismissed from the proceeding.

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 60 pages, and shall be filed at the same time. The prehearing officer may modify the page limit for good cause shown. Please see Rule 25-22.056, Florida Administrative Code, for other requirements pertaining to post-hearing filings.

IV. PREFILED TESTIMONY AND EXHIBITS

Testimony of all witnesses to be sponsored by the parties and staff has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

V. ORDER OF WITNESSES

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
<u>Direct</u>		
Robert C. Nixon	Utility	2-15, 19-26, 29, 30, 34
James M. Dreher	Utility	1-7, 9-13, 18, 21-25, 29, 30, 35
Kimberly H. Dismukes	OPC	2, 12, 13, 15, 19, 20, 21, 22, 24, 25
Thomas E. Stambaugh	Staff	a n y i s s u e s concerning staff audit
Pete Burghardt	Staff	1
Robert P. Barker	Staff	1
<u>Rebuttal</u>		
Robert C. Nixon	Utility	2-15, 19-22, 24-26, 30
James M. Dreher	Utility	1-14, 18-25, 30
Sandy Lloveras	Utility	2, 3, 5, 9, 10, 11

VI. BASIC POSITIONS

UTILITY: Applicant should be authorized to charge and collect the proposed final water and wastewater service rates set forth in this original application, including all pro forma expenses included therein in order to allow the utility to operate in a sufficient and efficient manner, plus all the additional expense incurred by Applicant in processing this proceeding as a result of the protest of Order No. PSC-93-0027-FOF-WS.

OPC: The rates proposed by Jasmine Lakes Utilities Corporation are excessive. The Company has understated its revenues, overstated its expenses, overstated its rate base, and overstated its overall cost of capital.

STAFF: The information gathered through discovery and prefiled testimony indicates, at this point, that the utility may be entitled to some level of increase. A final determination cannot be made until the evidence presented at hearing is analyzed. Staff's positions on the issues below are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VII. ISSUES AND POSITIONS

QUALITY OF SERVICE

ISSUE 1: Is the utility's quality of service satisfactory?

POSITIONS

UTILITY: Yes. (Dreher)

OPC: The Citizens take no position at this time, pending customer testimony.

STAFF: No position pending testimony at the hearing. (Burghardt, Barker)

RATE BASE

ISSUE 2: Should the water treatment plants, land, storage, and pumping facilities remain in rate base, and if not, what adjustments are necessary?

POSITIONS

UTILITY: Only the water treatment and source of supply facilities should be retired. All other water system facilities should remain in rate base. (Nixon, Dreher, Lloveras)

OPC: No. Since apparently 100% of the utility's water will be purchased from Pasco County, the water plant items listed in the issue should be removed from rate base. Rate base should be reduced by \$122,440. (Dismukes)

STAFF: No. It is not reasonable to allow these water facilities to remain in rate base since all of the utility's water will be purchased from Pasco County and since the utility's justification for retaining storage and pumping capacity is based on speculation. Therefore, adjustments are necessary to all rate base components related to the subject water facilities. Rate base should be reduced by \$125,075.

ISSUE 3: Should the \$250,000 Rapidrain sludge dewatering equipment be allowed in rate base, and if not, what adjustments are necessary?

POSITIONS

UTILITY: Yes, the equipment should be allowed in rate base. (Nixon, Dreher, Lloveras)

OPC: No. The equipment was not a prudent investment. The price paid for the Rapidrain sludge dewatering equipment was excessive compared to other alternatives.

STAFF: No. Only \$120,000 should be allowed in plant-in-service. Corresponding adjustments to accumulated depreciation and depreciation expense should be made.

ISSUE 4: With the addition of the Rapidrain, has the Company properly retired its sludge drying bed?

POSITIONS

UTILITY: The utility does not have a sludge drying bed. (Dreher)

OPC: It is not clear whether the Company has properly retired its sludge drying bed, and we will not know pending outstanding discovery responses.

STAFF: No position at this time.

ISSUE 5: What is the appropriate method for calculating used and useful for the wastewater treatment facilities?

POSITIONS

UTILITY: No used and useful adjustments are necessary because the wastewater system is at build-out. (Nixon, Dreher, Lloveras)

OPC: Used and useful calculations should be performed by comparing the average daily flow for the maximum month of the test year to the capacity of the Company's wastewater treatment facilities.

STAFF: Agree with utility.

ISSUE 6: Should a margin reserve be included in the calculations of used and useful plant?

POSITIONS

UTILITY: A margin reserve is not necessary. Since the utility systems are at build-out, they are already 100% used and useful. (Nixon, Dreher)

OPC: No. A margin reserve should not be included in the calculations of used and useful plant. The Company claims that the system is built out.

STAFF: Agree with utility.

ISSUE 7: What is the appropriate method for calculating margin reserve and the applicable ERCs?

POSITIONS

UTILITY: No margin reserve is necessary since the system is 100% used and useful and built-out. However, to the extent that lower used and useful percentages are proposed based on a comparison of test year flow to capacity, recognition must also be given to the sizing of the plant required to be constructed by regulatory authorities. (Nixon, Dreher)

OPC: No margin reserve should be allowed, as the Company claims that the system is built-out.

STAFF: Any margin reserve calculation should be based on the growth a system has experienced. Where, as here, growth is zero, the margin reserve should be zero.

ISSUE 8: If a margin reserve is included in the used and useful calculation, should CIAC be imputed as an offsetting measure?

POSITIONS

UTILITY: No. (Nixon, Dreher)

OPC: Yes. If the Commission grants the Company a margin reserve, CIAC should be imputed on this margin reserve.

STAFF: If the Commission allows a margin reserve, CIAC should be imputed.

ISSUE 9: What is the appropriate used and useful percentage for the wastewater treatment facilities?

POSITIONS

UTILITY: The wastewater treatment facilities should be considered 100% used and useful because the wastewater system is at build-out. (Nixon, Dreher, Lloveras)

OPC: At .3685 MGD, the wastewater treatment plant is 68.4% used and useful. Furthermore, it appears that the Rapidrain may not be 100% used and useful.

STAFF: Agree with utility.

ISSUE 10: What is the appropriate used and useful percentage for the water treatment facilities?

POSITIONS

UTILITY: 100% for all treatment facilities allowed in rate base. (Nixon, Dreher, Lloveras)

OPC: The appropriate used and useful percentage is 0%.

STAFF: No position at this time.

ISSUE 11: What are the appropriate used and useful percentages of the water distribution and wastewater collection systems?

POSITIONS

UTILITY: 100%. (Nixon, Dreher)

OPC: No position.

STAFF: The water distribution and wastewater collections systems should be considered 100% used and useful because Jasmine Lakes is built-out.

ISSUE 12: Should general plant be reduced for the allocation of common costs to the Company's nonutility operations?

POSITIONS

UTILITY: No. (Nixon, Dreher)

OPC: Yes. Rate base should be reduced by \$9,045. (Dismukes)

STAFF: No.

ISSUE 13: Should a negative acquisition adjustment be included in rate base?

POSITIONS

UTILITY: No. (Nixon, Dreher)

OPC: Yes. A negative acquisition adjustment of \$17,753 should be included in rate base. (Dismukes)

STAFF: Commission policy is not to make an acquisition adjustment in the absence of extraordinary circumstances. Therefore, unless extraordinary circumstances can be shown in this case, an acquisition adjustment should not be made.

ISSUE 14: Should the Company's proposed retirement of two vehicles be approved?

POSITIONS

UTILITY: Yes. However, the tractor was retired by oversight in preparing the MFRs, and correcting that oversight will not result in any change to rate base. Water annual depreciation expense should be increased by \$411. (Nixon, Dreher)

OPC: No. This was an affiliated transaction, without justification. The Company's proposed adjustment and booking of these vehicles increased rate base by \$15,200. Accordingly, rate base should be reduced by \$15,200.

STAFF: Agree with OPC.

ISSUE 15: What is the proper method for calculating and the proper amount of working capital?

POSITIONS

UTILITY: The appropriate amount is 1/8 of allowed O & M expenses. Final amount is subject to resolution of other issues. (Nixon)

OPC: The appropriate method for calculating working capital is the balance sheet approach. The proper allowance for working capital is \$0. (Dismukes)

STAFF: Agree with utility.

ISSUE 16: What are the test year rate bases?

POSITIONS

ALL: Final amount subject to resolution of other issues.

COST OF CAPITAL

ISSUE 17: What is the appropriate overall cost of capital, including the proper components, amounts, and cost rates associated with the capital structure?

POSITIONS

ALL: Final amount subject to resolution of other issues.

NET OPERATING INCOME

ISSUE 18: Should an adjustment to test year legal expenses be made?

POSITIONS

UTILITY: No. (Dreher)

OPC: Agree with staff.

STAFF: Yes, \$5,672 in 1991 test year legal expenses related to the utility's litigation with Pasco County should be removed.

ISSUE 19: If a loss on the retirement of water plant is appropriate, what is the proper amount and amortization period of the loss?

POSITIONS

UTILITY: Since only water treatment and source of supply facilities should be retired, a loss would not be appropriate under the NARUC accounting instructions

contained in exhibit RCN-6. In the alternative, if all of the utility's water storage and pumping facilities are also retired and the accumulated depreciation is substantially depleted, any loss should be calculated in accordance with the Commission's standard methodology. (Nixon, Dreher)

OPC: A total loss of \$122,440 should be recognized. The Citizens' primary recommendation is that the loss be amortized over 15 years. In the alternative, using the Commission's standard amortization methodology, a seven year amortization period should be adopted. (Dismukes)

STAFF: The total loss would be \$125,075. The amortization period should be four years, so the annual expense would be \$31,269.

ISSUE 20: What expenses should be adjusted as a result of the abandonment of the water treatment facilities?

POSITIONS

UTILITY: Expenses should be adjusted as set forth in Mr. Nixon's rebuttal testimony. (Dreher, Nixon)

OPC: The following adjustments should be made:

Depreciation Expense:	\$ (10,955)
Amortization of CIAC:	2,955
Chemical Expense:	(2,106)
Purchased Power Expense:	(10,405)
Labor Expense:	(3,800)
Contractual Services - Other:	(1,800)
Well Lease:	(5,641)
Property Tax Expense:	(4,058)

(Dismukes)

STAFF: Expenses should be reduced by a total of \$8,158.

ISSUE 21: Should test year expenses be reduced to allocate more common costs to the Company's nonutility operations and other affiliated companies?

POSITIONS

UTILITY: No. (Nixon, Dreher)

OPC: Yes. Test year nonsalary administrative and general and customer service expenses should be reduced by \$12,586; depreciation expenses should be reduced by \$187; salaries and wages should be reduced by \$42,415; payroll taxes should be reduced by \$3,584; workers compensation should be reduced by \$2,470; retirement plan expenses should be reduced by \$7,425; health insurance should be reduced by \$1,145; transportation proforma expense adjustment should be reduced by \$1,725; hazard insurance proforma expense adjustment should be reduced by \$1,040; pollution/product liability insurance proforma expense adjustment should be reduced by \$83; and liability insurance proforma expense adjustment should be reduced by \$1,814, to reflect the allocation of one-third of the Company's common costs to the Company's nonutility operations and to other affiliated companies. Also, expenses should be increased by \$3,746 to reverse the effect of the Company's allocation of billing and collection costs to its nonutility operations. (Dismukes)

STAFF: Agree with utility.

ISSUE 22: Are any other adjustments necessary to the Company's requested salaries, wages, benefits and taxes?

POSITIONS

UTILITY: Yes. The current levels of expenses for these items should be recognized by making adjustments as follows: salaries, (\$10,550); payroll tax, (\$780); workmen's compensation, (\$4,075); retirement benefits, (\$1,942); and health insurance, (\$3,593). (Nixon, Dreher)

OPC: Yes. Salaries and wages should be reduced by \$24,537; payroll taxes should be reduced by \$1,964; worker's compensation should be reduced by \$579; retirement plan expenses should be reduced by \$5,968; and health

insurance should be reduced by \$8,068 to reflect the difference between what the Company requested and actual 1992 expenses. (Dismukes)

STAFF: Agree with OPC.

ISSUE 23: Are adjustments necessary to the Company's transportation expenses?

POSITIONS

UTILITY: Yes, 2% of pro forma lease expense for Mr. Dreher's vehicle should be allocated to nonutility operations. No other adjustments are appropriate. (Nixon, Dreher)

OPC: Yes. The Company has not demonstrated the need for three vehicles. Accordingly, the Citizens recommend that the lease expense for Mr. Dreher's vehicle in the amount of \$5,676 be removed from test year expenses. In addition, transportation expenses should be reduced due to the reduced level of maintenance that will be required on the new vehicles relative to the old vehicles.

STAFF: Some adjustments may be necessary subject to development of the record.

ISSUE 24: Are adjustments necessary to the Company's proforma adjustments for hazard, pollution/product liability, and liability insurance?

POSITIONS

UTILITY: Yes. An adjustment of (\$1,074) is necessary based on the current actual and quoted premiums for these policies. All of the pro forma coverages are prudent and necessary and related solely to utility operations. (Nixon, Dreher)

OPC: Yes. The hazard insurance proforma adjustment should be reduced by \$850; the pollution/product liability proforma adjustment should be reduced by \$19,833; and the liability insurance proforma adjustment should be reduced by \$201. (Dismukes)

STAFF: Agree with OPC.

ISSUE 25: Are adjustments necessary to the Company's proforma adjustments to contractual services - other?

POSITIONS

UTILITY: Yes. The utility would agree to such an adjustment for only the labor portion of OPC's proposal on meter box repair, (\$1,372), if, and only if, current salary levels are recognized as per the utility's position on the salaries issue. (See issue no. 22.) No other adjustments are appropriate. (Nixon, Dreher)

OPC: Yes. The proforma adjustment for meter box repair and painting should be reduced by \$1,372 and the adjustment for TV inspection and cleaning should be reduced by \$4,848. (Dismukes)

STAFF: Agree with utility.

ISSUE 26: What is the appropriate provision for rate case expense?

POSITIONS

UTILITY: The actual costs prudently incurred, as reflected in the exhibit attached to Mr. Nixon's prefiled rebuttal testimony, should be allowed. The utility will update the total amount in a late-filed exhibit in accordance with standard Commission practice. (Nixon)

OPC: The Citizens currently take no position, pending full development of the record.

STAFF: Reasonable and prudently incurred rate case expense should be allowed. Also, the utility should be ordered to submit a detailed statement of the actual rate case expense within 60 days after the effective date of the order. The information should be submitted in the form prescribed in Schedule B-10 of the MFRs.

ISSUE 27: What are the appropriate levels of test year operating income before any revenue increases?

POSITIONS

ALL: Final amount subject to resolution of other issues.

REVENUE REQUIREMENT

ISSUE 28: What are the total revenue requirements?

POSITIONS

ALL: Final amount subject to resolution of other issues.

RATES AND CHARGES

ISSUE 29: Should a new class of service for private fire protection be approved, and should any refunds of previously collected charges be required?

POSITIONS

UTILITY: The utility agrees with staff as to the need for and amount of a new charge. However, the utility should not be required to refund any charges previously collected because the utility provided the subject service in accordance with its general service tariff. (Nixon, Dreher)

OPC: No position at this time.

STAFF: Yes. The private fire protection rates should be set at one-third of the approved water base facility charge for comparable line sizes, with a minimum of a 4" line size. Further, the utility should refund with interest all of the revenue collected pursuant to the previously unapproved charge.

ISSUE 30: What is the appropriate level for the residential wastewater gallonage cap?

POSITIONS

UTILITY: 3,000 gallons. (Nixon, Dreher)

OPC: No position at this time.

STAFF: The appropriate level for the residential wastewater gallonage cap is 6,000 gallons per month.

ISSUE 31: What are the appropriate rates?

POSITIONS

ALL: Final amount subject to the resolution of other issues; the base facility charge-gallonage charge rate structure should be used.

ISSUE 32: What should the rates be after the four-year rate reduction required by Section 367.0816, Florida Statutes?

POSITIONS

UTILITY: Rates should be reduced only if and to the extent the utility is overearning at the time the four-year period expires. To do otherwise would be confiscatory.

OPC: The rates should be reduced in accordance with Section 367.0816. The final amount of the rate reduction is subject to resolution of other issues.

STAFF: Agree with OPC.

ISSUE 33: In determining whether any portion of interim or PAA revenues should be refunded, how should the refunds be calculated, and what are the amounts of the refunds, if any?

POSITIONS

UTILITY: The final revenue requirements adjusted only for rate case expense amortization should be compared to interim and PAA revenues generated and any excess of the latter over the former should be refunded. No other adjustments should be made to the final revenue requirements for refund purposes. To do so, would require a separate and detailed analysis of the interim period and recognition of all expenses incurred during that period, including prudently incurred expense items not recognized in the final revenue requirements and proforma recognized in final and incurred during the interim period. The final revenue requirements must be compared to interim or PAA revenues generated, not revenue requirements for these periods, since significant changes in consumption may have occurred.

OPC: Agree with staff.

STAFF: The final revenue requirement should be adjusted for items not representative of the periods interim and PAA revenues were collected before comparing the final revenue requirement with the interim and PAA revenue requirements to determine whether any refunds are necessary. The amounts of any refunds are subject to the resolution of other issues.

ISSUE 34: Is the utility's existing service availability policy in compliance with Rule 25-30.580, Florida Administrative Code?

POSITIONS

UTILITY: The utility acknowledges that its CIAC levels are not within the guidelines suggested by the Rule. However, no adjustments to the utility's service availability charges are necessary because the utility is built-out. (Nixon)

OPC: No position at this time.

STAFF: No. However, adjustments to service availability charges are unnecessary for the reason cited by the utility.

ISSUE 35: What are the appropriate backflow preventor installation and inspection charges?

POSITIONS

UTILITY: The utility's requested backflow preventor installation charges and backflow preventor inspection charge should be approved. The utility should only be authorized to collect the installation charge if the device is installed in accordance with the company's back flow prevention policy required and approved by DER or if requested by a customer. The utility should be authorized to collect the annual inspection charge for all installed devices. (Dreher)

OPC: No position at this time.

STAFF: Agree with utility.

VIII. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u>			
Robert C. Nixon	Utility	n/a	MFRs
James M. Dreher	Utility	n/a	MFRs
Kimberly H. Dismukes	OPC	KHD-1	10 schedules
Thomas E. Stambaugh	Staff	TES-1	Staff audit report

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Rebuttal</u>			
Robert C. Nixon	Utility	RCN-1	Allocation of administrative and general expense to street lights and trash hauling.
	Utility	RCN-2	Requested and current salaries, benefits, and tax expense.
	Utility	RCN-3	Current annual premiums for insurance.
	Utility	RCN-4	Allocation of vehicle lease expense.
	Utility	RCN-5	Answer to Staff Interrogatory No. 2.

	Utility	RCN-6	Revised Plant Retirement Calculation.
	Utility	RCN-7	Adjustment to depreciation expense for retirement.
	Utility	RCN-8	Adjustment to property taxes for retirement.
	Utility	RCN-9	Audit Response with supporting document.
	Utility	RCN-10	Rate Case Expense, actual and estimated to complete.
James M. Dreher	Utility	JMD-1	Letter from J.D. Parker.
	Utility	JMD-2	Letter from rate consultant dated May 24, 1993, regarding the importance of storage and pumping facilities.
Sandy Lloveras	Utility	SL-1	Resume.
	Utility	SL-2	Rapidrain report with attachment.

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

IX. PROPOSED STIPULATIONS

At the Prehearing Conference, several proposed stipulations were reached. These proposed stipulations fall into two general categories: (1) Those where all of the parties and staff agreed

and (2) Those where the utility and staff agreed, but where none of the other parties took part in the stipulations or took positions on the issues from which the stipulations were derived. The proposed stipulations are listed below by category.

Category one

(1) The utility's pro forma adjustment to 1991 test year purchased water cost should be reduced by \$1,172 to reflect the actual water rate currently being charged by Pasco County.

(2) Operation and maintenance expense should be decreased by \$1,338 for the water division and by \$43 for the wastewater division for out-of-period expenses and charitable contributions.

(3) Since accumulated depreciation and accumulated amortization of CIAC were understated for four months of 1990, average accumulated depreciation should be increased by \$4,496 for water and \$4,929 for wastewater, and average accumulated amortization of CIAC should be increased by \$1,207 for water and \$1,104 for wastewater.

(4) The equity component of the utility's capital structure should be reduced by \$9,813 to remove investment in nonutility operations.

(5) The utility's requested \$25,496 in annual wastewater collection system repair expense should not be allowed in this proceeding. (The utility indicated it would request a limited proceeding for system repairs based on the results of its current line televising and cleaning program.)

(6) Miscellaneous expenses should be reduced by \$180.

Category two

(1) The cost of equity should be set by the leverage formula in effect at the time of the Commission's vote on final rates in this case. A range of plus or minus 100 basis points should be recognized for ratemaking purposes.

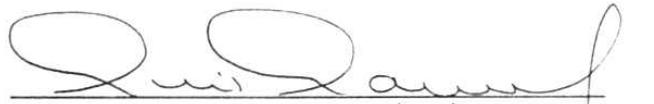
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(8) The wastewater violation reconnection charge should be revised so as to allow collection of actual costs.

It is therefore,

ORDERED by Commissioner Luis J. Lauredo, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Luis J. Lauredo, as Prehearing Officer, this 21st day of June, 1993.



LUIS J. LAUREDO, Commissioner and
Prehearing Officer

(S E A L)

MJF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.